MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

18 MARCH 2021
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

QUESTION 1

The followings are the statement of financial position of Thick Berhad, Simple Sdn. Bhd. and Air Sdn. Bhd. as at 31 December 2020:

	Thick Berhad RM'000	Simple Sdn. Bhd. RM'000	Air Sdn. Bhd. RM'000
Investment in subsidiaries			
Simple Sdn. Bhd.	1,600	-	-
Air Sdn. Bhd.	600	-	-
Non-current assets	760	2,440	1,530
Current assets			
Inventory	80	40	50
Trade receivables	160	60	70
Current accounts			
Simple Sdn. Bhd.	90	-	-
Air Sdn. Bhd.	106	70	-
Loan to Air Sdn. Bhd.	200	-	-
Bank	204	210	150
	3,800	2,820	1,800
Ordinary share capital	2,200	2,080	1,040
Preference shares	1,000	-	-
Retained profit	400	600	300
Liabilities			
Current account			
Thick Berhad	-	80	100
Simple Sdn. Bhd.	-	-	60
Trade payables	200	60	100
Loan from Thick Berhad	-	-	200
	3,800	2,820	1,800

Additional information

i) Thick Berhad purchased 60% of the issued share capital of Simple Sdn. Bhd. on 1 January 2018.

ii) On 1 January 2018, the retained profit of Simple Sdn. Bhd. was RM400,000.

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iii) On the date of acquisition, the fair value of a non-depreciable non-current asset of Simple Sdn. Bhd. was RM100,000 less than the carrying amount. This asset is still in Simple Sdn. Bhd.

iv) On 1 January 2020, Thick Berhad purchased 80% of the ordinary share capital of Air Sdn. Bhd. by an immediate cash payment of RM600,000 and a payment in a year's time of RM220,000. The present value of this deferred payment is RM200,000. Thick Berhad has recorded the immediate payment only.

v) On 1 January 2020, the retained profit of Air Sdn. Bhd. was RM110,000. The carrying amount of all assets reflected their fair value.

vi) Differences in the current accounts are due to inventory (at cost price) in transit.

vii) Included in the trade receivables of Simple Sdn. Bhd. is RM50,000 due from Air Sdn. Bhd. Air Sdn. Bhd. remitted RM16,000 of the amount owing on account of its trade payables with Simple Sdn. Bhd. on 31 December 2020, which was received by Simple Sdn. Bhd. on 10 January 2021.

viii) There has been no increase in the issued share capital of Simple Sdn. Bhd. and Air Sdn. Bhd.

Required:

a) Prepare journal entries to record the elimination of intra-group transactions.

(6 marks)

b) Prepare the consolidated statement of financial position as at 31 December 2020.

(19 marks)
(Total= 25 marks)

QUESTION 2 (25 MARKS)

The following is the statement of profit or loss of Anggerik Berhad and Jojoba Sdn. Bhd. for the year ended 31 December 2020:

	Anggerik Berhad RM'000	**Jojoba Sdn. Bhd. RM'000**
Sales	8,000	6,000
Cost of sales	(3,000)	(2,000)
Administrative expenses	(600)	(1,000)
Selling expenses	(400)	(1,000)
Operating profit	4,000	2,000
Taxation	(1,200)	(600)
	2,800	1,400

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Retained profit as at 1 January 2020	1,400	800

Additional information:

i) Jojoba Sdn. Bhd. has a paid-up capital of 5,000,000 ordinary shares.
ii) On 1 January 2018, Anggerik Berhad purchased 80% of the issued share capital of Jojoba Sdn. Bhd. when the retained profit was RM200,000.
iii) On the date of acquisition, a building of Jojoba Sdn. Bhd. was revalued to RM4 million and the carrying amount was RM3 million. The remaining useful life was 40 years. Jojoba did not incorporate the fair value in its accounts. The depreciation is calculated using the straight-line method.
iv) In year 2020, Jojoba Sdn. Bhd sold inventory costing RM1,000,000 for RM1,200,000 to Anggerik. 50% of the inventory remains unsold.
v) Anggerik Berhad deals in furniture and sold inventory costing RM200,000 for RM300,000 to Jojoba Sdn. Bhd. in year 2020. Jojoba Sdn. Bhd. treats his inventory as a non-current asset. The useful life of the furniture is 10 years. This sale is included in the sales of Anggerik Berhad in year 2020.
vi) The depreciation charge for buildings and furniture is included in the administrative expenses.

Required:

a) Using the additional information (iv), prepare the journal entries for the unrealized profit. Show the workings.

(6 marks)

b) Compute the group retained profit as at 1 January 2020.

(5 marks)

c) Prepare the consolidated statement of profit or loss for the year ended 31 December 2020.

(14 marks)
(Total= 25 marks)

QUESTION 3 (25 MARKS)

Part A

A reduction in the number of shares is a condition in which the parent company or the investor disposes of all or part of its share in the investee company. Illustrate all THREE (3) circumstances which derive part of the interest of the parent? Illustrate TWO (2) problems involved as a result of the shareholding decrease.

(5 marks)

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Part B

Given below are the Statements of Financial Position of Abx, Bbx and Cbx as at 31 December 2020.

	Abx	Bbx	Cbx
	RM'000	**RM'000**	**RM'000**
Land and building	200,000	104,400	90,000
Less: Accumulated depreciation	(70,000)	(20,000)	(32,000)
	130,000	84,400	58,000
Investments			
Bbx	82,000	-	-
Cbx	20,000	-	-
Current assets			
Inventories	8,000	2,800	2,400
Trade receivables	16,000	2,000	4,000
Bank	3,440	1,600	2,400
	259,440	90,800	66,800
Equity			
Ordinary shares	180,000	55,000	50,000
Preference shares	10,000	5,000	-
Retained profit	49,040	12,000	10,000
Revaluation reserve	400	3,700	400
Liabilities			
Trade payables	16,000	13,200	4,800
Tax payable	4,000	1,900	1,600
	259,440	90,800	66,800

Additional information:

a) The following are the details of issued share capital of Abx, Bbx and Cbx:

	Abx	Bbx	Cbx
Ordinary shares	150 million	50 million	50 million
Preference shares	10 million	5 million	

b) The following are the retained profit on 1 January 2020:

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	Abx **RM'000**	**Bbx** **RM'000**	**Cbx** **RM'000**
Retained profit	48,000	11,200	9,200

c) In year 2017, Abx acquired 40 million ordinary shares in Bbx when the retained profit of Bbx was RM8,600,000.

d) On the date of acquisition, a piece of land owned by Bbx has a fair value of RM3,000,000 more than its carrying amount. Bbx incorporated the fair value of the land in its financial statements. Subsequently, the fair value increased by another RM500,000 that has been recognised by Bbx in its financial statements.

e) Abx acquired 12.5 million shares in Cbx in year 2018 when the retained profit of Cbx was RM6,000,000. Cbx is an associate of Abx.

f) During the year ended 31 December 2020, the consolidated profit or loss for the group shows the profit after tax attributable to parent amounting RM11,855,000. Abx has recognised in the statement of profit or loss its share of dividends from its investee.

g) The trade receivables of Abx include RM400,000 owed by Bbx and the trade payables of Bbx include RM360,000 owed to Abx. On 20 December 2020, Bbx sent a cheque for RM40,000 to Abx. However, the cheque was not received by Abx until 5 January 2021.

h) During the year ended 13 December 2020, Abx sold inventories to Bbx for RM4,000,000 at cost plus 25% mark up. One quarter of these inventories were still in Bbx's inventories.

i) During the year ended 31 December 2020, Cbx sold inventories to Abx at cost plus 25% mark up. The sales value was RM1,000,000 and as at 31 December 2020, 50% of these inventories remained unsold by Abx.

j) Abx paid dividends of RM10,000,000 in year 2020.

Required:

In accordance with MFRS 10 *Consolidated Financial Statements* prepare a Consolidated Statement of Financial Position for Abx Group as at 31 December 2020.

(20 marks)

(Total: 25 marks)

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QUESTION 4 (25 MARKS)

The following are the consolidated financial statements of Habix Group Bhd.

Consolidated Statements of Financial Position of Habix Group as at 31 December

	2020 RM	2019 RM
Property, plant and equipment	59,100,000	40,000,000
Investment in associate companies	9,300,000	8,700,000
Goodwill on consolidation	8,300,000	14,000,000
Inventory	18,100,000	13,800,000
Trade receivables	13,500,000	8,800,000
Bank	24,580,000	5,900,000
	132,880,000	91,200,000
Ordinary share capital	40,000,000	40,000,000
Retained profits	36,000,000	22,000,000
Non-controlling interest	18,400,000	9,200,000
10% debentures	16,000,000	13,000,000
Trade payables	22,480,000	7,000,000
	132,880,000	91,200,000

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Consolidated Statements of Profit or Loss for the year ended 31 December 2020

	RM
Turnover	260,000,000
Cost of sales	(196,000,000)
Gross profit	64,000,000
Expenses	(30,520,000)
Operating profit	33,480,000
Share of profits of associate companies	1,120,000
Profit before tax	34,600,000
Tax- Habix Group and subsidiaries	(4,480,000)
Profit after tax	30,120,000
Profit after tax attributable to:	
Equity holders of Habix Bhd	24,096,000
Non-controlling interest	6,024,000
	30,120,000

Additional information:

a) Dividends paid by Habix Bhd during the year were RM10,096,000.

b) The expenses for the year ended 31 December 2020 include depreciation charges on property, plant and equipment of RM6,500,000 and impairment of goodwill.

c) On 1 January 2020, Habix Group acquired an 80 percent interest in Yolo Bhd, by paying cash RM24,000,000. The fair value of the net assets of Yolo Bhd on 1 January 2020 is as follows:

	RM
Property, plant and equipment	16,800,000
Inventory	4,000,000
Trade receivables	4,300,000
Bank	5,300,000
Trade payables	2,400,000

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Required:

i) Prepare the consolidated cash flow statement for the year ended 31 December 2020 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(15 marks)

ii) Compute for year 2020, the profit margin and return on assets for Habix Group and interpret your answer. Use the information below to support your answer.

Industry average	Profit margin	Return on assets
	10%	25%

(10 marks)

(Total: 25 marks)

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